

**REMARKS:**

Claims 1-37 are currently pending in the application.

Claims 10-12 and 25-36 stand rejected under 35 U.S.C. § 101.

Claims 1-37 stand rejected under 35 U.S.C. § 112, second paragraph.

Claims 3, 7, 15, 19, 27 and 31 stand rejected under 35 U.S.C. § 112, first paragraph.

Claims 1-11, 13-23, 25-35, and 37 stand rejected under 35 U.S.C. § 103(a) over U.S. Patent No. 7,257,552 B1 to Franco (hereinafter “*Franco*”) in view of Official Notice (with e.g. U.S. Patent No. 5,510,780 to Norris et al (hereinafter “*Norris*”) or U.S. Patent No. 5,569,897 to Masuda (hereinafter “*Masuda*”).

Claims 12, 24, and 36 stand rejected under 35 U.S.C. § 103(a) over *Franco* in view of Official Notice (with e.g. *Norris* or *Masuda* and U.S. Patent No. 7,653,591 to Dabney (hereinafter “*Dabney*” or U.S. Patent No. 5,794,207 to Walker (hereinafter “*Walker*”).

Applicant notes with thanks the Examiner’s response of 13 May 2010 and the Advisory Action of 2 August 2010. Applicant further notes with thanks the Examiner’s statement in the Advisory Action of 2 August 2010, that Applicants amendments in the response pursuant to 37 C.F.R. § 1.116 filed 13 July 2010 raise new issues that would require further consideration and/or search. Applicant still further notes with thanks the Examiner’s withdrawal of the previous objection of Claim 37 and the rejection of Claims 1-12 under U.S.C. § 112, second paragraph.

Applicant respectfully submits that all of Applicant’s arguments and amendments are without *prejudice* or *disclaimer*. In addition, Applicant has merely discussed example distinctions from the cited prior art. Other distinctions may exist, and as such, Applicant reserves the right to discuss these additional distinctions in a future Response or on Appeal, if appropriate. Applicant further respectfully submits that by not responding to additional statements made by the Examiner, Applicant does not acquiesce to the Examiner's additional statements. The example distinctions discussed by Applicant are considered sufficient to overcome the Examiner's rejections. In addition,

Applicant reserves the right to pursue broader claims in this Application or through a continuation patent application. No new matter has been added.

## **I. Rejections Under 35 U.S.C. § 101**

Claims 10-12 and 25-36 stand rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter.

In response, Applicant has amended Applicant's claims to include a "consumer computer system." Applicant respectfully submits that the claims are not system claims that generally encompass a human. In addition, Applicant has amended Applicant's claims to include the term "non-transitory." Therefore, Applicant respectfully requests that the rejection under 35 U.S.C. § 101 be withdrawn.

## **II. Response to "Nomenclature and interpretation"**

The Office Action attempts to define a customer's order lead time, by example, as 15 days when the customer agrees "to take delivery 5 days from today" and the "regular supply channel supply lead time between an [upstream supply entity] and a [downstream supply entity] . . . is 10 days." In response, Applicant respectfully points out the following:

During patent examination, the pending claims must be given the broadest reasonable interpretation **consistent with the specification**. *In re Morris*, 127 F.3d 1048, 1054, 44 USPQ2d 1023, 1027 (Fed. Cir. 1997); *In re Prater*, 415 F.2d 1393, 162 USPQ 541 (CCPA 1969) (emphasis added).

When the specification states the meaning that a term in the claim is intended to have, the claim is examined using that meaning, in order to achieve a complete exploration of the applicant's invention and its relation to the prior art. *In re Zletz*, 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989).

The broadest reasonable interpretation of the claims must also be consistent with the interpretation that those skilled in the art would reach. *In re Cortright*, 165 F.3d 1353, 1359, 49 USPQ2d 1464, 1468 (Fed. Cir. 1999)

Accordingly, an Examiner is **prohibited** from providing his or her own interpretations that are **inconsistent with the specification**. In this case, the specification provides a clear interpretation of the term in question. For example, according to the specification: "Lead time'

refers to the number of days after the indication of desire that consumer will receive the product” (Para. [0037]); “In a traditional supply chain, demand channel 22a communicates **zero lead time** consumer demand to retailer 18. In this case, when a consumer 20 purchases a product from retailer 18, the **product is provided** to consumer 20 **more or less immediately** after the purchase” (Para. [0017], [0027], [0032], and [0037]); “In particular embodiments, the incentive offered may correspond to the lead time that consumer 20 chooses” (Para. [0037])(clearly a supply channel supply lead time is not under the control of the consumer, so the consumer could not choose or otherwise dictate what the supply channel supply lead time would be; thus it would be erroneous to say that the supply channel supply lead time is included in the “lead time that the consumer chooses”); and nearly each paragraph from [0040] to [0060] gives an example that shows that the order lead time is not necessarily longer than the supply channel delay and the incentive would only work as claimed in a case where the order lead time is longer than the supply channel delay.

Therefore, according to the definition of lead time in light of the specification, the lead time in the Office Action’s example above would be **5 days (not 15 days)**, since the consumer receives the product 5 days after the indication of desire, or the order or agreement.” Applicant respectfully submits that 5 days is **less than** 10 days. Therefore, the Office Action’s conclusion that “the [order lead time] is by definition longer than the [supply channel delay]” is inaccurate and the argument is unsound for at least the reason that it is based upon a false premise (i.e. an incorrect definition). Thus, the limitation that “the order lead time is longer than a supply channel delay” is a substantial one, and the Applicant respectfully requests that it not be disregarded.

Applicant respectfully requests the Examiner to verify the subject application to ensure that a mistake has not been made.

### **III. Rejections Under 35 U.S.C. § 112**

Claims 1-37 stand rejected under 35 U.S.C. § 112, second paragraph. Claims 3, 7, 15, 19, 27 and 31 stand rejected under 35 U.S.C. § 112, first paragraph.

Applicant respectfully submit that the amendments to Applicant’s claims have rendered moot the Examiner’s rejections and respectfully traverses the Examiner’s rejection under 35 U.S.C.

§ 112, first and second paragraph. Accordingly, Applicant respectfully requests that the rejection of Claims 1-37 under 35 U.S.C. § 112 be reconsidered and withdrawn.

#### **IV. Rejections Under 35 U.S.C. § 103(a)**

Claims 1-11, 13-23, 25-35, and 37 stand rejected under 35 U.S.C. § 103(a) over *Franco* in view of Official Notice (with e.g. *Norris* or *Masuda*. Claims 12, 24, and 36 stand rejected under 35 U.S.C. § 103(a) over *Franco* in view of Official Notice (with e.g. *Norris* or *Masuda* and *Dabney* or *Walker*. Applicant respectfully traverses the Examiner's obvious rejection under 35 U.S.C. § 103(a).

For reasons already made of record, Applicant respectfully submits that Applicant's claims in their prior, unamended form are not rendered obvious by *Franco* and the Examiner's Official Notice. However, in an effort to expedite prosecution and issuance of the claims contained in the subject application, Applicant submits current claim amendments to more clearly and distinctly point out that which Applicant claims as the invention.

More specifically, Applicant respectfully submits that *Franco* fails to disclose “*determin[ing] an initial payment and one or more interim payments due prior to a consumer associated with the consumer computer system receiving the product and communicat[ing] the incentive and payments to the user interface*” and “*the consumer computer system,*” as required by Claim 1, as amended.

The Examiner states the following:

Franco . . . does not disclose explicitly wherein, if the consumer chooses to receive the product at the FUTURE DATE rather than the current date in exchange for the incentive, the consumer makes an initial payment to the retailer at the current date based on one or more costs to the DE associated with cancellation of the order.

(March 4, 2011 Office Action, page 38). Applicant thanks the Examiner for noting that *Franco* fails to disclose Applicant's above limitations. However, Applicant respectfully disagrees with and traverses the Examiner's Official Notice that it is well known for vendors to charge fees or penalties or liquidated damages to protect vendors from breach of contract by buyers, e.g. in the case of cancellation of orders. Furthermore, in addition to *Franco* failing to disclose “if the

consumer chooses to receive the product at the FUTURE DATE rather than the current date in exchange for the incentive, the consumer makes an initial payment to the retailer at the current date based on one or more costs to the DE associated with cancellation of the order,” as acknowledged by the Examiner, *Franco* is silent and also fails to disclose determining an amount or timing of interim payments as required by Claim 1, as amended.

While further distinctions exist, the reasons discussed in detail above detailing *Franco*’s failure to disclose “[ing] an initial payment and one or more interim payments due prior to a consumer associated with the consumer computer system receiving the product and communicat[ing] the incentive and payments to the user interface” and “the consumer computer system,” as required by Claim 1, as amended is more than sufficient to distinguish Claim 1 from *Franco*. In addition, the Examiner’s Official Notice does not provide these missing teachings. Thus, Applicant’s current amendments to the independent claims of the subject application render moot the Examiner’s rejections under 35 U.S.C. § 103(a) over *Franco* and Official Notice, taken individually or in combination. Accordingly, Applicant respectfully requests that the rejections of Claims 1-37 be withdrawn.

**V. The Office Action Fails to Properly Establish a *Prima Facie* case of Obviousness over the Proposed *Franco*-Official Notice Combination According to the UPSTO Examination Guidelines**

Applicant respectfully submits that the Office Action fails to properly establish a *prima facie* case of obviousness based on the proposed combination of *Franco* or the Examiner’s Official Notice, either individually or in combination, and in particular, the Office Action fails to establish a *prima facie* case of obviousness based on the “Examination Guidelines for Determining Obviousness Under 35 U.S.C. 103 in View of the Supreme Court Decision in *KSR International Co. v. Teleflex Inc.*” (the “Guidelines”).

As reiterated by the Supreme Court in *KSR International Co. v. Teleflex Inc.* (*KSR*), the framework for the objective analysis for determining obviousness under 35 U.S.C. 103 is stated in *Graham v. John Deere Co.* (383 U.S. 1, 148 USPQ 459 (1966)). Obviousness is a question of law based on underlying factual inquiries. These factual inquiries enunciated by the Court are as follows:

- (1) Determining the scope and content of the prior art;
- (2) Ascertaining the differences between the claimed invention and the prior art; and
- (3) Resolving the level of ordinary skill in the pertinent art.

(Notice, 72 Fed. Reg. 57527 (Oct. 10, 2007)). Objective evidence relevant to the issue of obviousness must be evaluated by Office personnel. (383 U.S. 17–18, 148 USPQ 467 (1966)). As stated by the Supreme Court in *KSR*, “While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.” (*KSR*, 550 U.S. at \_\_\_, 82 USPQ2d at 1391).

However, it is important to note that the Guidelines require that Office personnel “***ensure that the written record includes findings of fact*** concerning the state of the art and the teachings of the references applied. (Notice, 72 Fed. Reg. 57527 (Oct. 10, 2007)). In addition, the Guidelines remind Office personnel that the “***factual findings made by Office personnel are the necessary underpinnings to establish obviousness.***” (*id.*). Further, “***Office personnel must provide an explanation to support an obviousness rejection*** under 35 U.S.C. 103. (*id.*). In fact, “35 U.S.C. 132 requires that the applicant be notified of the reasons for the rejection of the claim so that he or she can decide how best to proceed” and “clearly setting forth findings of fact and the rationale(s) to support a rejection in an Office action leads to the prompt resolution of issues pertinent to patentability.” (*id.*).

With respect to the subject application, the Office Action has not shown the ***factual findings necessary to establish obviousness*** or even ***an explanation to support the obviousness rejection*** based on the proposed combination of *Franco* and the Examiner’s Official Notice. The Office Action merely states:

Official Notice is taken that it is well known for vendors to charge fees or penalties or liquidated damages for cancellation of order to protect vendors from breach of contract by buyers. Usually a deposit or initial payment would be such liquidated damages. An example is loss of deposit in cancellation of buying a house or cancellation of a custom product e.g. a car.

(March 4, 2011 Office Action, page 38). Applicant respectfully disagrees and respectfully submits that the Examiner’s conclusory statement is not sufficient to establish the ***factual findings***

*necessary to establish obviousness* and is not a sufficient *explanation to support the obviousness rejection* based on the proposed combination of *Franco* and the Examiner's Official Notice.

The Guidelines further provide guidance to Office personnel in "determining the scope and content of the prior art" such as, for example, "Office personnel must first obtain a thorough understanding of the invention disclosed and claimed in the application." (Notice, 72 Fed. Reg. 57527 (Oct. 10, 2007)). The scope of the claimed invention must be clearly determined by giving the claims the "broadest reasonable interpretation consistent with the specification." (See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005) and MPEP § 2111.). In addition, the Guidelines state that any "*obviousness rejection should include*, either explicitly or implicitly in view of the prior art applied, *an indication of the level of ordinary skill.*" (Notice, 72 Fed. Reg. 57528 (Oct. 10, 2007)). With respect to the subject Application, the Office Action has not provided *an indication of the level of ordinary skill.*

The Guidelines still further provide that once the *Graham* factual inquiries are resolved, Office personnel must determine whether the claimed invention would have been obvious to one of ordinary skill in the art. (*Id.*). For example, the Guidelines state that *Office personnel must explain why the difference(s) between the prior art and the claimed invention would have been obvious to one of ordinary skill in the art.* (*Id.*). In addition, the Guidelines state that the proper analysis is *whether the claimed invention would have been obvious to one of ordinary skill in the art after consideration of all the facts.* (*Id.* and See 35 U.S.C. 103(a)).

With respect to the subject Application, the Office Action has not expressly resolved any of the *Graham* factual inquiries to determine whether Applicant's invention would have been obvious to one of ordinary skill in the art. In addition, the Office Action fails to *explain why the difference(s) between the proposed combination of Franco, the Examiner's Official Notice, and Applicant's claimed invention would have been obvious to one of ordinary skill in the art.* The Office Action merely states that "it would have been obvious to a PHOSITA to add such customary practice to the system of *Franco* to protect vendors." (March 4, 2011 Office Action, page 38). Applicant respectfully disagrees and further respectfully requests clarification as to how this statement *explains why the difference(s) between the proposed combination of Franco, the Examiner's Official Notice, and Applicant's claimed invention would have been obvious to one*

*of ordinary skill in the art.* Applicant further respectfully submits that the Examiner is using the subject Application as a template to formulate reconstructive hindsight, which constitutes impermissible use of hindsight under 35 U.S.C. § 103(a).

The Guidelines yet further state that the “key to supporting any rejection under 35 U.S.C. 103 is the *clear articulation of the reason(s) why the claimed invention would have been obvious.*” (Notice, 72 Fed. Reg. 57528 (Oct. 10, 2007)). In fact, the Supreme Court in *KSR* noted that “*the analysis supporting a rejection under 35 U.S.C. 103 should be made explicit.*” (*id.*). The Court quoting *In re Kahn* (441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006)), stated that “[R]ejections on *obviousness cannot be sustained by mere conclusory statements*; instead, there *must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.*” (*KSR*, 550 U.S. at \_\_\_, 82 USPQ2d at 1396). The Guidelines provide the following seven rationales:

- (A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way;
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results;
- (E) “Obvious to try”—choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- (F) Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations would have been predictable to one of ordinary skill in the art;
- (G) Some teaching, suggestion, or motivation in the prior art that would have led one of ordinary skill to modify the prior art reference or to combine prior art reference teachings to arrive at the claimed invention.

Applicant respectfully submits that the *Office Action fails to provide any articulation, let alone, clear articulation of the reasons why Applicant’s claimed invention would have been obvious.* For example, the *Examiner has not adequately supported the selection and combination of Franco and the Examiner’s Official Notice to render obvious Applicant’s claimed invention.* The Examiner's unsupported conclusory statements that:



Official Notice is taken that it is well known for vendors to charge fees or penalties or liquidated damages for cancellation of order to protect vendors from breach of contract by buyers. Usually a deposit or initial payment would be such liquidated damages. An example is loss of deposit in cancellation of buying a house or cancellation of a custom product e.g. a car. Thus it would have been obvious to a PHOSITA to add such customary practice to the system of Franco to protect vendors.

(March 4, 2011 Office Action, page 38). However, Applicant respectfully submits that the Examiner's unsupported conclusory statement *does not adequately provide clear articulation of the reasons why Applicant's claimed invention would have been obvious*. In addition, the Examiner's unsupported conclusory statement fails to meet any of the Guidelines rationales to render obvious Applicant's claimed invention.

Thus, if the Examiner continues to maintain the obvious rejection based on the proposed combination of *Franco* and the Examiner's Official Notice, *Applicant respectfully requests that the Examiner provide proper support for the obviousness rejection under 35 U.S.C. 103 as necessitated by the Guidelines, including a statement by the Examiner identifying which one of the seven rationales the Examiner is relying on and the proper analysis of that particular rationale, as required by the Guidelines*.

#### **VI. Applicant's Claims are Patentable over the Proposed Franco-Official Notice Combination**

Applicant respectfully submits that, as discussed above, Claims 1, 13, 25, and 37 are considered patentably distinguishable over *Franco*. This being the case, dependent Claims 12, 24, and 36 are considered patentably distinguishable over the proposed combination of *Franco* and the Examiner's Official Notice, for at least the reason of depending from an allowable claim as well as for further distinctions.

Thus, Applicant respectfully submits that Claims 12, 24, and 36 are not rendered obvious by the proposed combination of *Franco* and the Examiner's Official Notice. Applicant further respectfully submits that Claims 12, 24, and 36 are in condition for allowance. Thus, Applicant respectfully requests that the rejection of Claims 12, 24, and 36 under 35 U.S.C. § 103(a) be reconsidered and that Claims 12, 24, and 36 be allowed.

**CONCLUSION:**

In view of the foregoing amendments and remarks, this application is considered to be in condition for allowance, and early reconsideration and a Notice of Allowance are earnestly solicited.

Although Applicant believes no fees are deemed to be necessary; the undersigned hereby authorizes the Director to charge any additional fees which may be required, or credit any overpayments, to **Deposit Account No. 500777**. If an extension of time is necessary for allowing this Response to be timely filed, this document is to be construed as also constituting a Petition for Extension of Time Under 37 C.F.R. § 1.136(a) to the extent necessary. Any fee required for such Petition for Extension of Time should be charged to **Deposit Account No. 500777**.

Respectfully submitted,

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Date

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